

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 AGRE-00 CIAE-00 COME-00 INR-07
LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03
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ARA/ECA:TSHUGART
ARA/ECP:WDBURSON

----- 101326 /61

P 222305Z DEC 76
FM SECSTATE WASHDC
TO AMEMBASSY BUENOS AIRES PRIORITY
INFO AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TAGS: ETRD, AR

SUBJECT: COUNTERVAILING DUTIES -- NON-RUBBER FOOTWEAR FROM
ARGENTINA

REF: A) BUENOS AIRES 01845(NOTAL) B) STATE 292006 C)
STATE 030662 FEBRUARY 11, 1975

1. ON THE BASIS OF THE INFORMATION PROVIDED IN REF A,
TREASURY BELIEVES IT WILL BE NECESSARY TO REINSTITUTE
COUNTERVAILING DUTY INVESTIGATION ON NON-RUBBER FOOTWEAR
FROM ARGENTINA (SEE REF B). TREASURY IS PREPARING THE
NOTICE TO BE PUBLISHED IN THE FEDERAL REGISTER WHICH
WILL FORMALLY REINSTITUTE THE INVESTIGATION. BEFORE
NOTICE IS COMPLETED AND PUBLISHED, HOWEVER, WE REQUEST
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EMBASSY DISCUSS THE IMPOSITION OF THE NEW SUBSIDY WITH
APPROPRIATE GOA OFFICIALS. PLEASE MAKE THE FOLLOWING
POINTS AND REPORT GOA REACTIONS:

A) A PREVIOUS COUNTERVAILING DUTY INVESTIGATION OF FOOTWEAR
FROM ARGENTINA ENDED IN A NEGATIVE DETERMINATION AFTER THE

GOA HAD REMOVED THE SUBSIDIES ON FOOTWEAR EXPORTS. THE FINAL NEGATIVE DETERMINATION NOTICE WAS PUBLISHED IN THE FEDERAL REGISTER OF JANUARY 5, 1976. NOW THAT IT APPEARS

THAT NEW SUBSIDY ON FOOTWEAR IS IN EFFECT, TREASURY, BECAUSE OF THE PRIOR INVESTIGATION AND HISTORY OF THIS CASE, HAS NO ALTERNATIVE BUT TO REOPEN THE CASE. THE IMPOSITION OF COUNTERVAILING DUTIES COULD BE AVOIDED IF THE GOA COULD AGREE TO REMOVE THE EXPORT SUBSIDY ON FOOTWEAR EXPORTS TO THE U.S.

B) TREASURY WILL PUBLISH A NOTICE OF REINSTITUTION OF COUNTERVAILING DUTY INVESTIGATION IN THE FEDERAL REGISTER SHORTLY UNLESS GOA CAN ASSURE USG THAT PROGRAM WILL BE REMOVED IMMEDIATELY. UPON PUBLICATION INTERESTED PARTIES WILL HAVE THIRTY DAYS IN WHICH TO SUBMIT WRITTEN COMMENTS ON THE CASE.

C) SOON THEREAFTER TREASURY WOULD ISSUE A SIMULTANEOUS NOTICE OF PRELIMINARY AND FINAL COUNTERVAILING DUTY DETERMINATION, SUSPENDING LIQUIDATION OF ENTRIES ON THE DAY AFTER PUBLICATION. (SUSPENSION OF LIQUIDATION MEANS THAT FINAL DUTIES ARE NOT COLLECTED. MERCHANDISE CAN CONTINUE TO ENTER THE U.S. UNDER A BONDING PROCEDURE.) TREASURY WILL MOVE EXPEDITIOUSLY IN THIS CASE SO TIME ELEMENT SHOULD BE STRESSED TO GOA.

2. IN DISCUSSING FOOTWEAR SUBSIDIES WITH GOA OFFICIALS EMBASSY SHOULD EMPHASIZE UNDERTAKINGS MADE BY GOA TOWARD END OF LENGTHY PRIOR COUNTERVAILING DUTY INVESTIGATION. LIMITED OFFICIAL USE

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TION. ON JULY 19, 1973, THE AMERICAN FOOTWEAR INDUSTRIES ASSOCIATION FILED A COMPLAINT WITH TREASURY ALLEGING SUBSIDIES ON ARGENTINE AND BRAZILIAN FOOTWEAR EXPORTS. THE FIRST REPORT TO EMBASSY WAS STATE 233376 OF NOVEMBER 28, 1973. NUMEROUS CONSULTATIONS WERE HELD BETWEEN GOA AND USG OFFICIALS. SUBSEQUENT TO AN AFFIRMATIVE COUNTERVAILING DUTY DETERMINATION ON BRAZILIAN FOOTWEAR IN SEPTEMBER 1974, TREASURY WAS SUED IN DISTRICT COURT TO COMPEL IMPOSITION OF COUNTERVAILING DUTIES ON ARGENTINE FOOTWEAR. THE COURT CASE WAS FINALLY DISMISSED ON FEBRUARY 12, 1975, AFTER THE COURT WAS INFORMED 1) THAT DECREE 1416/74 WHICH ELIMINATED FOOTWEAR ELIGIBILITY FOR THE REEMBOLSO HAD BEEN PUBLISHED IN THE BOLETIN OFICIAL OF NOVEMBER 19, 1974, AND 2) THAT PROPOSED NEW FOOTWEAR EXPORT SYSTEM UNDER THE AUSPICES OF CIFEN UNDERTAKINGS IS CONTAINED IN REF C, WHICH GIVES TEXT OF LETTER FROM TREASURY ASSISTANT SECRETARY MACDONALD TO AMBASSADOR ORFILA. THE FIRST PARAGRAPH CONCLUDES "OF

COURSE, EVEN AFTER A FINAL DISPOSITION OF THE CASE,
WE WOULD BE OBLIGED TO CONTINUE TO MONITOR CONDITIONS
UNDER WHICH THESE GOODS ARE EXPORTED FOR SOME TIME TO
INSURE THAT NO BOUNTIES OR GRANTS ARE IN EFFECT."
TREASURY PROCEEDED WITH THE FINAL NEGATIVE DETERMINATION
DESPITE NOT HAVING RECEIVED NOTICE FROM GOA OF DECREES
TO EXCLUDE FOOTWEAR EXPORTERS FROM UTILIZING CENTRAL
BANK EXPORT PROMOTION REGULATIONS 502, 689 AND 777, (REF
C).

3. THE GOA OFFICIAL MOST FAMILIAR WITH THE ORIGINAL
INVESTIGATION WAS THEN UNDER SECRETARY VARTALATIS OF
THE MINISTRY OF ECONOMY. GOA OFFICIALS WHO INSTITUTED
SUBSIDY PROGRAM DESCRIBED IN REF A MAY NOT BE FAMILIAR
WITH THE COURSE OF THIS INVESTIGATION AND THE UNDERTAKINGS
OF THE GOA THAT RESULTED IN A NEGATIVE DETERMINATION.
ROBINSON

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Margaret P. Grafeld
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